

BOOK

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URANIUM MINING LEASE AND AGREEMENTOFFICE OF THE
COUNTY CLERKOCT 7 9 51 AM '69
McKINLEY COUNTY

THIS LEASE AND AGREEMENT, made and entered into this 1st
day of August, 1969, by and between SANTA FE
PACIFIC RAILROAD COMPANY, a corporation created by Act of Congress, approved
March 3, 1897, hereinafter called "Lessor," and UNITED NUCLEAR CORPORATION,
a corporation
of _____, hereinafter, whether one or
more called "Lessee,"

WITNESSETH: That the parties hereto, for the considerations
hereinafter expressed, covenant and agree as follows:

1. Lessor, upon the terms and conditions and subject to the
reservations hereinafter set forth, hereby grants to Lessee the exclusive
right and privilege for a period of twelve (12) months beginning with the
date hereof, to search, explore and mine for uranium-bearing ore by methods
used and recognized in the industry and, thereafter for a period of three (3)
additional years, to conduct mining operations on areas where uranium ore
has been discovered on the lands situated in the County y of McKinley,
New Mexico, described in Exhibit "A", attached hereto and by this
reference made a part hereof, said lands being hereinafter referred to as
said "leased premises," including the right to construct and maintain thereon
at the sole cost and expense of Lessee, all works, buildings, plants, water-
ways, roads, telegraph or telephone lines, or other structures necessary and
desirable in the exploration, development or conduct of mining operations
upon said lands including the use of such water rights as Lessor may have.

SUBJECT to the rights of grantors, vendees and licensees of the
surface of said lands under deeds, contract of purchase, or other agree-
ments heretofore made by Lessor and to the obligations of Lessor under the
provisions thereof.

SUBJECT, ALSO, to all leases or agreements now outstanding for
use of said lands, or any portion thereof, for mining or other purposes,

but Lessor represents that there are no such leases or agreements valid and outstanding made by Lessor for the development and production of uranium-bearing ore and associated minerals.

SUBJECT, ALSO, to the right of Lessor (which right is hereby expressly reserved) to enter into leases, permits, or other agreements with others covering said lands or any portion thereof for any purpose whatsoever not inconsistent with the rights of Lessee hereunder.

It is understood that the Lessee is hereby granted the right to mine only within the exterior boundaries, extended vertically downward, of the land hereby leased.

2. Lessee agrees on or before the expiration of the first twelve (12) month period of the term of this lease to surrender to Lessor by an appropriate instrument in writing, all the land described in Exhibit "A" on which development operations for the recovery of uranium ore have not been commenced. The lands surrendered shall be in units of not less than a quarter/quarter section (1/16 of a section), conforming as nearly as possible to legal subdivisions. The term development operations when used herein shall refer to the activity or work of driving or excavating an opening, or openings, to or in a commercial deposit of ores or minerals in, on, or under the lands so as to gain access thereto for the purpose of mining and handling the same, or further drilling or coring to block out a commercial ore deposit.

3. Lessee agrees to enter into and upon the said premises within sixty (60) days from the date hereof and to work and operate on the leased premises steadily and continuously in the manner of a prudent operator during the period of this Lease and Agreement in accordance with approved methods so as to discover, mine and remove the greatest amount of uranium-bearing ore possible in a manner proper and necessary to good and economical mining with due regard to the development and preservation of the said premises as mining ground. Lessee further agrees that all work done in and upon said premises and property shall be done in full compliance with the mining laws and regulations of the State, the United States and any other competent public authority.

4. Lessor reserves the right through its agents or representatives to enter from time to time during ordinary business hours, into and upon all parts of said premises and workings thereon for the purpose of inspection, visual surveys, or taking samples therefrom, and Lessee agrees to render said agents or representatives proper assistance in making said inspection, visual surveys or examinations. Lessee shall furnish quarterly reports to the Lessor, including maps, showing all exploration data and all of the mining and exploration work done, or in progress, upon the property, together with assays of the ore encountered, during the preceding quarter.

5. Subject to the provisions of Paragraphs 6 and 7 hereof, on all ores mined and removed from the leased premises for the purpose of milling, treatment, or other disposition, Lessee shall pay to Lessor a percentage royalty of the mine value per dry ton as set forth in the following schedules:

- (i) Lessee shall pay Lessor on all underground ore mined from the demised premises through shaft or tunnel on the following royalty schedule:

PERCENTAGE ROYALTY SCHEDULE

<u>Mine Value Per Dry Ton</u>	<u>Royalty Percentage of Mine Value Per Dry Ton</u>
\$ 0.01 to \$ 5.00	11-1/2%
\$ 5.00 to \$10.00	12%
\$10.00 to \$15.00	12-1/2%
\$15.00 to \$20.00	13%
\$20.00 to \$25.00	13-1/2%
\$25.00 to \$30.00	14%
\$30.00 to \$35.00	14-1/2%
\$35.00 to \$40.00	15%
\$40.00 to \$45.00	15-1/2%
\$45.00 to \$50.00	16%
\$50.00 or more	16-1/2%

- (ii) Lessee shall pay Lessor on all ore mined by open pit or by surface mining methods on the following royalty schedule:

PERCENTAGE ROYALTY SCHEDULE

<u>Mine Value Per Dry Ton</u>	<u>Royalty Percentage of Mine Value Per Dry Ton</u>
\$ 0.01 to \$ 5.00	12%
\$ 5.00 to \$10.00	14%
\$10.00 to \$15.00	16%
\$15.00 to \$20.00	18%
\$20.00 to \$25.00	20%
\$25.00 to \$30.00	22%
\$30.00 to \$35.00	24%
\$35.00 to \$40.00	26%
\$40.00 to \$45.00	28%
\$45.00 to \$50.00	30%
\$50.00 or more	32%

"Mine value per dry ton" wherever used in this Paragraph 5. is hereby defined as the dollar value per dry ton (ton = 2,000 pounds) of crude ore at the mine, as determined by application to the valuable uranium content of such ore of the following "Price Schedule for Uranium Ores," multiplied by a fraction whose numerator is the actual final weighted average price per pound of U_3O_8 received by Lessee for uranium concentrate derived from ores from the leased premises during the preceding six (6) months for which royalty is being computed and whose denominator is \$8.00, except that if no sales have been made during the preceding six (6) months, then the numerator shall be the price received from the current sale.

PRICE SCHEDULE FOR URANIUM ORES

<u>U_3O_8 Assay of Ore</u>	<u>Value per Pound of U_3O_8 Contained in Ore</u>
Less than 0.10% of U_3O_8	\$0.75
0.10% U_3O_8	\$1.50
0.11% U_3O_8	\$1.70
0.12% U_3O_8	\$1.90
0.13% U_3O_8	\$2.10
0.14% U_3O_8	\$2.30
0.15% U_3O_8	\$2.50
0.16% U_3O_8	\$2.70
0.17% U_3O_8	\$2.90
0.18% U_3O_8	\$3.10
0.19% U_3O_8	\$3.30
0.20% U_3O_8 and more	\$3.50

plus a grade premium of \$0.75 per pound for each pound of U_3O_8 in excess of four (4) pounds per ton or ore and an additional premium of \$0.25 per pound for each pound in excess of ten (10) pounds U_3O_8 per ton.

Wherever minerals or other products associated with uranium-bearing ore are recovered from the ores which are not included in determining mine value per dry ton as heretofore defined, there shall be paid by Lessee to Lessor for such minerals or other products, a royalty of ten per cent (10%) of the gross value of such products, less deduction for transportation and milling costs.

All royalty payments to be made by Lessee to Lessor shall be made on or before the 20th day of the month next following receipt by Lessee of payments for the products sold or disposed of.

Lessee shall keep accurate account of all mining operations, showing the sales, prices, dates, purchases, and the whole amount of minerals mined, the amount removed and the gross receipts derived therefrom, together with any bonus or other payments, and furnish to Lessor sworn monthly reports thereon not later than the 20th day of the succeeding month.

6. In lieu of the royalty payments specified in Paragraph 5. hereof, Lessor at all times during the term of this lease shall have the right to take its royalty percentage, as hereinafter set forth, of all product mined or removed from the leased premises either as ore, or in concentrate. Said royalty percentage of ore, or concentrate, produced from said leased premises shall be determined by dividing the mine value per dry ton (as defined in Paragraph 5 hereof) by the gross value per dry ton (as hereinafter defined), then multiplying the result by the applicable royalty percentage (as set forth in the table labeled "Percentage Royalty Schedule" in Paragraph 5 hereof) of the mine value per dry ton. The result when expressed as percentage shall constitute the royalty percentage of physical volume of ore, or concentrate, due Lessor.

The term "gross value per dry ton" whenever used in this Paragraph 6. is hereby defined as the dollar value per dry ton (ton = 2,000 pounds) of crude ore as determined by multiplying the valuable uranium content of such ore by the weighted average price per pound of U_3O_8 received by Lessee, or the company selling Lessee's concentrate, during the six (6) months preceding the month in which Lessor's royalty is being determined under the provisions of this paragraph.

Expressed as a formula, Lessor's royalty percentage of ore, or concentrate in kind, is as follows:

$$\frac{\text{Mine Value Per Dry Ton}}{\text{Gross Value Per Dry Ton}} \times \text{Royalty Percentage of Mine Value Per Dry Ton}$$

For example, in underground mining, using .20% ore and a concentrate price of \$8.00 per pound:

$$\frac{\$14.00 \text{ (Mine Value)}}{\$32.00 \text{ (Gross Value)}} \times 12-1/2\% \text{ (Royalty Percentage)} = 5.47\%$$

In the event Lessor shall take its royalty percentage as ore and said ore shall be processed along with Lessee's ore at a mill either owned by Lessee, or in which Lessee shall have an interest and the right to mill ore, then Lessee shall be entitled to a toll charge for milling said ore which charge shall be equal to Lessee's cost plus ten per cent (10%) of said costs; provided however, that the mill has capacity to process Lessor's ore and that Lessor's ore must be milled concurrently with Lessee's ore. In determining the said cost, the books and accounts covering its milling

operations shall be open to Lessor for inspection and audit, insofar as said books and accounts are available to Lessee. In the event Lessor's ore from the leased premises is processed along with Lessee's ore through a mill not owned by Lessee or in which Lessee has no interest, under a tolling arrangement negotiated by Lessee, then Lessor's royalty percentage of concentrate, subject to Lessee's right to do so, shall be delivered to Lessor subject to the same milling costs as Lessee is paying for the processing of its ore. Lessor shall have the right on ninety (90) days' notice in writing to Lessee at any time, or from time to time as often as Lessor shall desire, but not more frequently than twelve (12) month intervals, to change the method of payment of any or all of its said royalty from payment in kind as ore, or concentrate, to payment in money, or vice versa. If no such written instructions are given to Lessee by Lessor, said royalty payments shall be made in money.

7. Wherever Lessee shall save, recover and process for recovery of uranium therefrom any uranium-bearing mine water from the leased premises, there shall be paid by Lessee to the Lessor for such uranium-bearing mine water a royalty of six and one-quarter per cent ($6\frac{1}{4}\%$) of the market value of U_3O_8 contained in uranium concentrate recovered by Lessee from such uranium-bearing mine water.

8.

9. Lessee shall not subject Lessor or the leased premises to any liability or lien for or on account of any work done or improvements made or materials placed on or used upon said premises, and if by reason of the failure of Lessee to pay bills or expenses incurred by Lessee, any lien

or liens shall be filed against the leased premises, Lessor may forthwith pay and discharge the same and hold Lessee bound to repay to Lessor all sums so advanced or paid to clear said premises from liens which may be filed as aforesaid, and Lessor may also at its election declare a forfeiture of this Lease and Agreement. Lessee agrees to post forthwith and keep posted on said property in all places required by law, a notice of non-liability of Lessor for labor or materials furnished Lessee, and Lessor agrees to furnish such notices.

10. Lessee shall file returns with the proper taxing authorities covering the mineral estate hereby leased, the uranium-bearing ore or other minerals produced from the leased premises, and all personal property which may be placed upon said premises by Lessee; and shall pay, before the same shall become delinquent, all taxes, charges, rates and assessments which may during the term of this lease be levied upon or assessed in any respect upon or against said mineral estate, ore, mineral products or personal property, together with all increase in such charges, rates or assessments upon the land by reason of the discovery or production of such minerals or on account of improvements erected upon said land, including buildings, machinery and other fixtures placed thereon by Lessee. Where any such taxes, charges, rates or assessments may be embraced in the general amount of taxes charged Lessor or to the surface owner, and Lessor shall pay such taxes or refund the same to the surface owner, then Lessee shall promptly repay or refund to Lessor the amount or part of the tax, charge, rate or assessment attributable under this Lease and Agreement to Lessee. All such payments by Lessor on account of Lessee shall bear interest at the rate of eight per cent (8%) per annum until paid.

11. Lessee shall save harmless and indemnify Lessor against all claims, demands, suits, judgments, expenses and costs of any and every kind on account of the injury to or death of persons, or loss of or damage to property arising in any manner out of or in connection with the operations of Lessee hereunder, including those arising out of its failure to effectively close surface openings of abandoned mines as required by Paragraph 12 hereof, and Lessee shall at Lessee's sole cost and expense defend all the claims, demands or suits; and, if at any time Lessee employs any person or persons

to work upon the leased premises, Lessee shall comply with the Workmen's Compensation Act of New Mexico and all regulations and requirements of competent public authority and provide certificate of insurance to Lessor indicating the amounts and types of coverage of such other insurance as Lessor may require.

12. At the expiration of this Lease and Agreement, or upon its earlier termination as herein provided, Lessee shall surrender the leased premises in good order and condition, and remove therefrom all machinery, tools and improvements, except such as may become the property of the Lessor under this Lease and Agreement by purchase or otherwise; provided, however, that no such tools, machinery, or improvements shall be removed while Lessee may be in any manner indebted to Lessor under any obligation incurred under this Lease and Agreement. Lessee shall not, however, remove any timbers or improvements which may be necessary or desirable to leave in the workings to protect same from subsidence, or as a mining property unless requested by Lessor to do so. Lessee hereby undertakes and agrees that when any mining operations on the leased premises are closed down, or when this Lease and Agreement is terminated, Lessee will back-fill or in some other manner effectively close or blockade all shafts, tunnels or other surface openings, and will post appropriate "no trespassing" and caution and danger signs at or near all such safeguards, so as to prevent persons from entering or falling into any such surface opening.

13. Any notice to be given by Lessor to Lessee hereunder shall be deemed to be properly served if the same be deposited in a United States Post Office, registered mail post paid, return receipt requested, addressed to United Nuclear Corporation, Bokum Building, P. O. Box 1537, Santa Fe, New Me 8 and any notice to be given by Lessee to Lessor hereunder shall be deemed to be properly served if the same be deposited in a United States Post Office, registered mail postpaid, return receipt requested, addressed to Santa Fe Pacific Railroad Company, attention Secretary, Room 220, 920 Jackson Street, Topeka, Kansas 66612, or at such other address as Lessor may request.

14. Lessor does not warrant quiet possession by the Lessee of said lands or the ores or minerals on or under them, and Lessor shall in no

event become liable for damage arising from any lack or failure of title in the Lessor to said lands or to the ores or minerals on or under them, or eviction of the Lessee therefrom by title paramount to the title of the Lessor.

Lessor has sold and conveyed all of said lands by deed, which deed provides that Lessor expressly reserves and excepts all oil, gas, coal and minerals whatsoever, already found or which may hereafter be found, upon or under said lands, with the right to prospect for, mine and remove the same, and to use so much of the surface of said lands as shall be necessary and convenient for shafts, wells, tanks, pipelines, rights of way, railroad tracks, storage purposes, and other and different structures and purposes necessary and convenient for the digging, drilling and working of any mines or wells which may be operated on said lands. Lessee accepts this Lease and Agreement subject to the aforesaid terms and provisions, and also subject to all of the terms and provisions of said deed.

Lessee agrees at its sole cost and expense:

(a)

- (b) To pay all damage to the surface owner's buildings and growing crops caused by the erection or construction of facilities to be used in connection with mining operations;
- (c) That all pipelines shall be buried below plow depth where such lines cross cultivated lands; and
- (d) That where there are fences, to construct gates or cattle guards thereon where necessary for Lessee to cross the same, and to keep such gates and cattle guards in repair and the gates closed when not in use.

Lessee will also indemnify and save Lessor harmless from any and all claims of or liability to the owner or owners of the surface of the land leased by reason of failure of Lessee to perform the requirements mentioned in clauses (a), (b), (c) and (d) hereinabove.

Any amounts which Lessor shall be required to pay to any such surface owner or owners by reason of the failure of the Lessee to perform such obligations shall be refunded by Lessee to Lessor within thirty (30)

days after demand therefor, and upon failure to make such payment within said time, all amounts so due shall become a lien upon all property of the lessee upon said premises and all of Lessee's interest in any uranium ore produced therefrom and the proceeds thereof. All such payments by Lessor on account of Lessee shall bear interest at the rate of eight per cent (8%) per annum until paid.

15. No termination of this Lease and Agreement, whether by lapse of time or otherwise, shall release Lessee from any liability or obligation hereunder, whether of indemnity or otherwise, resulting from any acts, omissions, or events happening prior to the date of such termination.

16. Lessee shall not assign this Lease and Agreement, or any interest therein, nor sublet any portion of the leased premises, except with the written consent of Lessor first had and obtained in each instance.

17. Lessor agrees that if during the term of this Lease and Agreement Lessee has found and at the expiration of the term of this lease is producing uranium-bearing ore in commercial quantities from the leased premises, Lessor will, upon written request made within thirty (30) days prior to expiration of the three (3) year term, renew this Lease and Agreement for an additional three (3) year period, upon the same terms and conditions, including the right to like and successive renewals thereafter, upon the same conditions, subject always during any such extended period to termination whenever uranium in commercial quantities shall cease to be produced for sixty (60) consecutive days; provided, however, that in all instances in which Lessee is required to perform any particular act or to begin or to carry on any operation, except payment of rentals or other money due Lessor, any delay on account of floods, washouts, strikes, lockouts, the elements, acts of God, or the public enemy, or other causes beyond Lessee's control, shall not be computed as any part of the time within which any such act shall be begun or performed. Lessor shall be under no obligation to renew this Lease and Agreement at any time or times if Lessee shall then be in default hereunder, or if this Lease and Agreement has been previously terminated by reason of any such default.

18. Lessee may, at any time, subject to the provisions of Paragraph 12 hereof, surrender any part of the leased premises to the Lessor by an appropriate instrument, in writing, duly executed and acknowledged so as to

entitle the same to be recorded, and thereupon all rights and obligations of the parties hereto, one to the other, shall cease and determine as to the premises thereby surrendered; provided, however, the Lessee shall have first paid all rentals, taxes, or royalties due and shall have performed all obligations of the Lessee hereunder.

19. If Lessor, at any time, believes that Lessee is in default under the terms and provisions of this Lease and Agreement, it shall notify Lessee in writing of the particular default claimed, and if such default shall not be cured within thirty (30) days after the giving of such notice, Lessor may terminate this Lease and Agreement by written notice to Lessee. In the event Lessee shall fail to make any payment of rentals or royalties, or other fixed amounts, when due, Lessor may terminate this Lease and Agreement upon ten (10) days' written notice to Lessee and Lessee's failure to pay the full amount due within that time.

20. Any dispute between the parties under this agreement shall be referred to arbitration, each party selecting one arbitrator and the American Arbitration Association designating the third arbitrator. The award of the arbitrator shall be final and binding on the parties hereto.

21. All of the covenants and agreements of this Lease and Agreement shall extend to and be binding upon, and every benefit hereof shall inure to the heirs, executors, administrators, successors or assigns of the parties hereto, as the case may be.

IN WITNESS WHEREOF, this Lease and Agreement has been executed by the parties thereunto duly authorized the day and year first above written.

SANTA FE PACIFIC RAILROAD COMPANY

By [Signature]
President

Lessor



Attest: [Signature]
Assistant Secretary

UNITED NUCLEAR CORPORATION

By [Signature]
Vice President

Lessee

Attest: [Signature]
Secretary



STATE OF ILLINOIS }
COUNTY OF COOK } ss.

The foregoing instrument was acknowledged before me this 2nd
day of January, 1961, by J. S. Burke, President
of SANTA FE PACIFIC RAILROAD COMPANY, a corporation organized and existing
under and by virtue of an Act of Congress approved March 3, 1897, on behalf
of said corporation.

My commission expires:

1/1/62

Harold E. B. B. B.
Notary Public

STATE OF New Mexico }
COUNTY OF Santa Fe } ss.

The foregoing instrument was acknowledged before me this 21st
day of July, 1961, by William A. B. B., President
of United Nuclear Corporation, a Delaware
corporation, on behalf of said corporation.

My commission expires:

7/1/62

W. A. B. B.
Notary Public

80" 42 336

MCKINLEY COUNTY, NEW MEXICOTownship 13 North, Range 10 West

<u>DESCRIPTION</u>	<u>SECTION</u>	<u>ACRES</u>	<u>TOTAL ACRES</u>
ALL	19	644.64***	
ALL	23	640.64***	
ALL, EXCEPT 82.84 acres in the NEly portion of Section leased to Smith Development Company *	25	557.16***	

Township 13 North, Range 9 West

ALL	31**	638.24	2,480.68
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* EXCEPTING AND RESERVING all that portion of the hereinafter described
82.84 acres in the NEly portion of Section 25, Township 13 North,
Range 10 West, to-wit:

Beginning at the Northeast corner of Section 25, Township
13 North, Range 10 West, N. M. B. M., McKinley County,
New Mexico; and thence westerly on a bearing North 88° 00'
West along the northerly line of said Section 25, 3,402 feet,
to a point; thence due South 468 feet, to a point; thence due
East 800 feet, to a point; thence due South 250 feet, to a
point; thence due East 300 feet, to a point; thence due South
400 feet, to a point; thence due East 1,150 feet, to a point;
thence due South 600 feet, to a point; thence due East 1,100
feet, more or less, to a point on the easterly section line of
said Section 25; and thence northerly along the easterly line
of said Section 25, on a bearing North 01° 45' East, 1,600 feet
more or less, to the Northeast corner of Section 25, and the
point of beginning of said parcel;

containing an area of 82.84 acres, more or less.

** SUBJECT to License No. SFP-HL-13 to the New Mexico State Highway
Department, covering the NE/4 of Section 31, Township 13 North,
Range 9 West, McKinley County, New Mexico, for the establishment
of a material pit for removing road construction and surfacing
materials. Secretary's No. SFP-9826-Copy attached, as Exhibit "B".

*** SUBJECT TO Stipulation, Judgement and Decree in Case No. 8287 in
the District Court of McKinley County, New Mexico, under which the
Surface Owners will be paid a royalty of 3% of the gross production.
Attached as Exhibit "C".

EXHIBIT "A"

121,541
7:11 Estabed
69 9:51 A.M.
Leased 42 324-336
Gay - R. R. R.
Grove of Ext. Exp.